

INDUSTRY UPDATE

Biweekly Period Ending June 30, 2001

Phoenix Metro Area

Manufacturing

As mentioned in the June 16th *Industry Update*, the state will be the “beneficiary” of California’s energy problems, through company and individual transplants. One of the latest high-tech companies to head east to Arizona is Silicon Valley-based **Xemond**, a six-year-old company that makes computer circuits used in wireless phones. Already with an **engineering and manufacturing presence** (50 jobs) **in Tempe**, the company decided to **move** the rest of the **operations** as well. Although expansion is planned, Xemond officials did not give any specific number of jobs involved.

Trade

The fewer the merrier? **Two Valley beer distributors have merged** to form one of the largest beer wholesalers in the Southwest. **Zeb Pearce Cos.** has **acquired Miller Brands** of Phoenix, which will give Pearce about one-half of the Phoenix-area market with annual sales of 14 million cases. **No layoffs are expected** at the merged company, which will have a workforce of about 450.

Tucson Metro Area

Manufacturing

Several small manufacturing operations are planned or recently opened in the Tucson area. Boston-based **PerkinElmer Inc.** purchased a three-year-old laser scanning and imaging company and **expects to expand** its operations. Formerly known as **Sonoran Scanners**, the Tucson company developed a new technology that allows publishers to create a plate for printing directly from a computer, instead of using more costly and

labor-intensive filming and markup procedures. The **workforce is expected to triple from 10 to 30** in the near-term at its new Oro Valley offices. ... **AFCO Systems** of Farmingdale, N.Y., a maker of computer and telecommunications cabinets, **opened a regional manufacturing and distribution operation** to serve its customers in the West. The 14,000-square-foot facility at 6210 S. Country Club Road is expected to **employ about 10 people by the end of the year**, then **grow six-fold** over the **next three years**. ... Expecting to “cook up” bigger profits, **Beyond Bread Bakery and Café** will **open a second store and bakery in late fall** at Monterey Village, 6260 E. Speedway. The three-year-old company plans to **add 30 workers** to its existing workforce of 50.

The **news wasn’t so good** for about **150 employees** (primarily engineers) of **three Tucson optics companies**. Shutting down operations are **Chorum Technologies, Etec Systems and Schott Donnelly**, with Etec accounting for more than half of the job losses. No specific information was given for the closure. Despite the shutdowns, however, Tucson has more than 130 optics companies employing about 4,500.

Construction

Over the next two years, **more than 1,000 workers** will be **needed** to work on a **575-room, \$162 million resort** — the largest in Tucson. Canadian-based **Starr Pass Properties LLC** recently received financial backing from an unnamed lender to build **The Marriott at Star Pass**. The luxury hotel — which will occupy 1,600 acres and include a 66,000-square-foot convention center, a 25,000-square-foot spa, up to 25 retail shops, 36 holes of golf, four pools and 10 tennis

courts — will be the first resort built in Tucson in 14 years. When it opens in January 2004, the **hotel** will **employ** a staff of almost **700**.

Finance, Insurance, and Real Estate

And the winner is — **Jerry DeGrazia**. The Tucson builder **bid** the **highest price** (\$8.5 million) for **Christopher City**, a former graduate-student housing project on the northwest corner of East Fort Lowell Road and North Columbus Boulevard. Within a year, DeGrazia expects to **build a mix of single-family attached and unattached homes** on the 66-acre site.

Services

By **acquiring** Tucson-based **Sunquest Information Systems**, U.K.-based **Misys** will be able to offer a full-range of health-care software products. Misys purchased 700-employee Sunquest Information Systems because of its leadership in hospital management software. Misys, which **will not change** Sunquest's **plans** to **add 90 workers** the last half of 2001, already produces information systems for doctors' offices, pharmacies, and laboratories. The acquisition is subject to government approval.

Another Tucson-based (but soon-to-be Phoenix-based) health-care company is faring much worse. In order to stop the bleeding of red ink, health maintenance organization **Health Net** will **lay off an unspecified number of workers** in early July. In addition, the HMO will **move its corporate headquarters** to the Valley and consider eliminating Medicare coverage. Health Net, which has more than 300,000 members, lost more than \$64 million in 1999 and 2000. (For more information on this subject, see the June 2nd issue of *Industry Update*.)

Balance of State

Construction

Several major building projects in or near Benson may bring a dramatic change to the Cochise County city of 5,000. Several housing projects and a golf course will bring jobs —

and many more residents — to the area 50 miles east of Tucson. **Arizona Golf Systems** expects to **begin construction** by August on a **\$3.7 million golf course** projected to open in September 2002; **D.R. Horton** plans to **build** a 1,100-acre **housing development** (along Arizona Highway 90 between I-10 and Kartchner Caverns) called **The Canyon** late this year; south and east of Kartchner Caverns, **Helmut Horne plans a resort** called **Whetstone Springs** and a 1,000-acre **residential development** called **The Estates**; and finally, between Benson and Tombstone, a 1,700-acre resort and housing development called **Bachmann Springs** is still in the planning stages.

Statewide

Trade

About **400 ABCO supermarket employees lost their jobs** in June with the **closure of seven remaining stores**. Over the past year, Dallas-based Fleming Cos. had sold off most of the 54-store Arizona chain to several supermarket companies (Safeway, Southwest Supermarkets, and IGA). But Fleming, which is a food supplier and owner of supermarket chains, had to close more than a dozen stores that did not spark any interest.

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